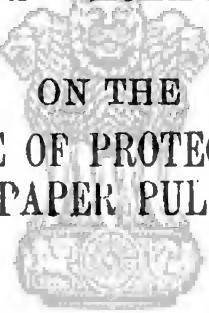




GOVERNMENT OF INDIA
DEPARTMENT OF COMMERCE

REPORT OF THE
INDIAN TARIFF BOARD

ON THE
CONTINUANCE OF PROTECTION TO THE
PAPER AND PAPER PULP INDUSTRIES



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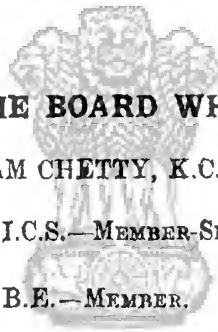
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REPORT ON THE CONTINUANCE OF PROTECTION TO THE PAPER AND PAPER PULP INDUSTRIES.

1. The Government of India, Department of Commerce, in their letter Reference to the Board. No. 134-T(36)/46, dated the 19th December, 1946 (Appendix I), pointed out that the period for which protection had been granted to certain old established industries, including the paper and wood pulp industries, was due to expire on the 31st March, 1947, and requested the Tariff Board to investigate the claims of these industries to continued enjoyment of protection at the existing, or a reduced or enhanced scale. Government referred in their letter to the continuance of the economic uncertainties which had made it impossible to conduct such an inquiry during wartime and asked the Board to evaluate, in a summary manner, the necessity or otherwise of continuing the existing measures of protection beyond the 31st March, 1947. In making its recommendations, the Board was asked to bear in mind the interests of both the manufacturers and the consumers. Government desired the considered opinion of the Board by the end of January 1947, as a decision must be taken well before the commencement of the budget session in order to enable them to introduce the necessary legislative measure in time, and, therefore, suggested that the Board might have a summary discussion with the representatives of the industries and other interested parties. The reference was subsequently confirmed in the Commerce Department Resolution No. 28-T(6)/46, dated the 26th January, 1947 (Appendix II).

2. As the time at the disposal of the Board was not much more than a month **Method of Inquiry.** and it was impossible to hold a detailed inquiry involving determination of costs of production and landed costs of imports for equation of domestic and foreign prices, we decided to compile such data as could be easily gathered from Government publications and records and to discuss with the representatives of the industry and other interested parties as to what should be done when the existing protective duties expired on the 31st March, 1947. The Board decided to invite (a) representatives of the two principal associations of paper producers in the country, (b) a few prominent importers and merchants, (c) a representative of labour, and (d) certain other individuals having intimate knowledge of the industry to a joint conference for discussion of the principal issues. A list of the associations and persons to whom invitations for the conference were issued will be found in Appendix III. The associations were also asked to submit their views a few days before the conference was due to meet. All the associations to whom the request was addressed, were good enough to comply with it. The conference was held in the office of the Board in Bombay on the 5th of February, 1947. A list of the persons who attended the conference is given in Appendix IV.

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3. The Board explained to the conference the purpose for which the meeting had been convened. It was pointed out that the

Review of the proceedings of the Conference. paper and wood pulp industries had been protected since 1925 when the Bamboo Paper Industry

(Protection) Act was passed. Since then there

have been two main tariff inquiries into the case of this industry in 1931 and 1937. In between, there were two special inquiries in 1927 and 1935. The protective duties which were levied as a result of the last tariff inquiry were due to expire in 1942, but owing to the intervention of the war in the meantime, these protective duties have been continued without any inquiry by Continuation Acts from time to time. The last extension was agreed to by the Legislature in April 1945 for a period of one year, and an undertaking was given by Government that, meanwhile, the case of the industry would be examined and government would decide as to what should be done in respect of this and other major industries. The proceedings of the Legislative Assembly leading to the grant of the extension were explained to the conference with a view to indicating the context in which the extension had been agreed to and the justification that would be demanded in the event of Government proposing further extension in respect of the expiring protective duties. It was pointed out that the principal criticism against the continuation was that these industries had grown up under the shelter of protection for a sufficiently long time—in this case 22 years—to enable them to stand on their own feet and were now placed in a particularly strong position as competition from abroad was practically non-existent. Some members of the Assembly had remarked that in extending protection, Government had been rather lenient to the producers and indifferent to certain other equally vital interests, such as, consumers, workers and cottage industry. Another point urged in the debate was that protection should ordinarily be regarded as a temporary expedient intended to enable a struggling or distressed industry to overcome foreign competition either in the initial stages or during depression. The Board regretted that the time given to the industry to prepare its case was short, but, nevertheless, it had enough time to point out whether competition existed and to what extent. While inviting the industry to state its case, the Board asked it to keep in view certain salient features mentioned below. Firstly, the indigenous production, though stepped up with the aid of protection and under the stimulus of wartime conditions, was very short of the total requirements of the country. Secondly, there is the overall world shortage of paper and pulp, making import of any substantial quantity of these products into this country from abroad a remote possibility. Thirdly, it would be pertinent to ask whether, if the industry was not in a position to dispense with protection to-day, it was ever likely to dispense with protection and whether it was possible to envisage more favourable circumstances for the withdrawal of protection. The industry was asked to remember that it had enjoyed protection for 22 years, that it had the benefit of exceptional prosperity in wartime for over seven years, that it was regarded by the country as a major industry having a direct bearing on the spread of literacy and propagation of knowledge, and that if such an industry required protection at a time when there was no foreign competition, when the Government could be relied upon to do everything in its power to protect the major industries of the

country, it would amount to a case of a demand for perpetual protection.

4. The industry was asked to bear in mind that, if it asked for continuance of protection, the burden of proving that protection was necessary under the conditions of to-day rested heavily on the industry. It was pointed out that protection had to be justified broadly on the following principles : (i) that there exists competition from which the indigenous industry requires protection; (ii) that the protection required is of a temporary duration and would be dispensed with within a reasonable period; (iii) that the cost to the consumer arising from protection is not excessive; and (iv) that the industry is run on sound business lines. The eligibility of the industry for protection was of course not in doubt or disputed, it being an industry of sufficient national importance.

5. The other point stressed by the Board was the importance to be attached to the interests and requirements of the consumer. **Importance of the interest of consumers.** The industry was requested particularly to consider what should be done to increase the supplies of paper and how paper prices could be reduced, thus affording the much-needed relief to the consumer, by any adjustment of duty or modification in the nature of protection. The Board was not concerned with the general and wider question of paper prices which was outside the scope of this inquiry, but it would like to examine if some relief to the consumer could be given by a readjustment in the scheme of protection. It was mentioned that the consumers' point of view in this connection was that, if the industry was de-protected, more imports from abroad might come, the imports might be sold at lower prices, and the lower prices of the imports might induce indigenous producers to revise their price policy and to reduce their prices in order to maintain the goodwill of customers. It was agreed that the world paper position was still tight and that imports would be determined more by the exportable surpluses in the main producing countries than by the level of duties in this country, but even so it was arguable that a small stream of imports at favourable prices might have a salutary or chastening effect on the home industry.

6. The Board informed the conference that the associations of producers which had been addressed to give their views on the **Written replies of the producers.** points at issue were unanimous in demanding continuance of protection, though agreeing that there was no foreign competition at present and that the protective duties were practically ineffective. The industry, however, could not tell when competition might overtake it and when certain important pulp and paper producing countries like Norway, Sweden, Canada, United Kingdom, and United States of America might, in their anxiety to develop their export trade, invade the Indian market to the detriment of the home industry. They referred to the existence of abnormal conditions which made it difficult even to forecast what the competition would be like in the distant or even near future. They, therefore, pleaded that until it was possible to obtain a clearer picture of the post-war pattern of the paper industry in the world, it would be unwise to disturb the *status quo* or to take any decision from which it might be difficult to

resile at a later stage. The associations pointed out that the paper industry had benefitted substantially as a result of the protective policy of Government and that, as further expansion was still necessary and was being actively considered by both Government, and the industry, the shelter of protection should not be removed. In the end, the associations said that a period of two years would be required before a proper appraisement could be made of the future prospects of the industry and that, therefore, the *status quo* should be maintained during that period towards the end of which an enquiry might be undertaken to determine the future course of action. As for adjustment in the duties, the view of the associations was that there should be no change in the protected items and that even the unprotected items might now be brought within the purview of protection in view of the great development that has taken place in their production since the last tariff inquiry of 1938.

7. Having placed before the conference arguments for and against the continuance of protection as they were presented by **Alternative solutions** the different interests, the Board pointed out that for consideration. there were the following three alternatives, or a suitable combination of some of these alternatives, as possible solutions of the problem now before it and the conference. The alternatives were: (1) maintaining the present protection for a further period of one year ending March 31, 1948, and having a tariff inquiry into the industry in the latter half of 1947; (2) continuing the present protection for a period of one year, but keeping the protective duties in abeyance, partially or wholly, on some or all varieties of imported pulp and paper, through an executive order under the Sea Customs Act or the Indian Tariff Act, subject to institution of a tariff inquiry in the latter half of 1947, to determine the measure of protection, if any, required for the industry as a permanent measure; and (3) holding that the industry had failed to make out a case for, and was not in need of, continuance of protection, which should, therefore, be terminated when the protective duties expire on March 31, 1947, leaving it to Government to impose such revenue duties as may be decided upon purely on budgetary considerations.

8. Mr. S. P. Jain, President of the Indian Paper Mills Association, presented the case on behalf of the paper industry as a whole. He re-affirmed what both his Association and the Indian Papermakers' Association had stated in their written replies and contended that the present was not an opportune time for finally determining such an important matter as continuance or termination of the present policy of protection to the Indian paper industry, which had been pursued by Government for over 22 years and which had been supported by a large number of tariff inquiries from time to time between 1925 and 1938. He admitted that protection at present conferred no benefit on the industry, but he argued that it also did no harm to the consumers. In the circumstances, he asked why the *status quo* should be disturbed. This plea was reinforced by Mr. Sim on behalf of the Indian Papermakers' Association and by Mr. Sinha, speaking on behalf of certain mills affiliated to the Indian Paper Mills Association. Their contention was that the burden of proof that protection was unnecessary rested on those who ques-

tioned the desirability of its continuance, but this plea could not be accepted by the Board, which pointed out that in normal circumstances, the present scheme of protection would expire on March 31, 1947, but that if it was required to be continued, the party asking for its continuance must prove the need for it. The burden of proof could not thus be shifted from the producers to other interests. Mr. Ganapati Iyer, speaking on behalf of the Mysore Paper Mills, read out extracts indicating that serious efforts were being made in Canada to increase the volume of exports of paper of which India would be well advised to take due note. He also felt that America might in the near future be in a position to offer competition to the Indian industry. As for pulp, the industry agreed that the policy of imposing a protective duty on wood pulp had fully justified itself and that the Indian bamboo pulp industry had been sufficiently developed and established to dispense with any further protection. In fact, the industry would welcome imports of wood pulp with a view to increasing the production of paper in the country. The present position, according to the industry, was that the paper making capacity was somewhat in excess of the pulp making capacity, with the result that, unless the amount of pulp available in the country was supplemented by imports, production of paper could not attain maximum capacity. Mr. Jain, on behalf of the Indian Paper Mills Association, wrote to the Board after the conference that both his Association and the Indian Papermakers Association would be agreeable to de-protection of wood pulp, and would further desire that the revenue duties, which might be imposed on wood pulp, should be kept as low as possible in order that import of wood pulp might be encouraged. The industry was certain that this step would have no detrimental effect on the Indian bamboo or grass pulp industry. In regard to both the volume of production and the cost of production, the pulp industry in India had nothing to fear from competition from abroad. As for the unprotected varieties, the industry suggested that the distinction between unprotected and protected varieties should now be abolished and that all varieties of paper should be brought under the protective part of the tariff schedule. The representatives of the industry also referred to the possible adverse effect which any announcement of termination of protection might have on the future expansion of the industry as likely investors might feel that the industry in future would be an unprotected one. The industry had vast schemes of expansion, so necessary to bridge the gap between demand and production in the country, and they would receive a setback by any hasty or unwise declaration of termination of protection of which the real significance might not be quite appreciated by the large body of people. Lastly, the industry asked the Board and Government to bear in mind the fact that important trade and tariff negotiations at an international level were pending at present, the full effect of which should be seen before tinkering with the protection of a major industry like the pulp and paper industry. The industry could not say exactly when the abnormal conditions at present prevailing would be over and when it would be appropriate to hold a full-fledged tariff inquiry with a view to deciding finally whether or not the industry needed protection. In any case, the industry would like the matter to be reviewed towards the end of 1948. The industry preferred the first of the three alternatives put before it. The industry was also asked if its purpose would be met by Government giving a categorical assurance.

of protection to it if and when it was threatened by competition from abroad, such an assurance carrying a definite obligation on the part of Government to order a tariff inquiry on a request being made by the industry and an undertaking to consider the report of the Board as expeditiously as possible. The industry's reply was that it would prefer maintenance of *status quo* to de-protection at this stage though coupled with an assurance of protection on the lines indicated above.

9. The view of the importers was that there was a tremendous shortage of paper in the country, that it was not possible to get any substantial quantity of paper from abroad and that termination of protection or reduction in the scale of duties leviable on these goods would not have much effect on the inflow of imports from abroad. They were, therefore, not urging the discontinuance of protection although they felt that the case for continuance was very weak. One importer pointed out that there was such a disparity between the scale of revenue duties applicable to unprotected varieties of paper and the scale of protective duties applicable to the protected varieties that, in actual practice, the unprotected varieties were more protected than the protected varieties! This reasoning is correct as will be seen from a comparative study of the protective and revenue duties leviable on the protected and unprotected varieties of paper (*vide Appendix V*). The anomaly has presumably arisen from the fact that, firstly, revenue duties have been raised considerably since the Protection Act was passed in 1939 and secondly, revenue duties in this case are levied *ad valorem* whereas some of the protective duties are specific and a substantial increase in the prices of paper has naturally resulted in the *ad valorem* duties working out heavier in incidence than those particular protective duties. We shall have occasion to refer to this anomaly later when we come to our recommendations in this case. Some importers would like an exception to be made, in the matter of import restriction, in the case of kraft paper which, it was urged, was not being manufactured in the country to the correct specifications. It was mentioned that the kraft paper was made by only one mill in India and that it was of lower quality and could not, therefore, be a substitute for the kraft paper required by most of the consumers.

10. Mr. Somnath P. Dave of Ahmedabad, speaking on behalf of labour interested in the paper industry, said that as the industry was in urgent need of expansion, it should not be deprived of enjoyment of protection, but that for the present, when the imports were badly needed to supplement local supplies, the protective duties might be kept in abeyance. He also urged that, while granting protection, Government should see that the industry gave the workers a fair deal in regard to wages and conditions of work. He complained that recently, simultaneously with the reduction in the hours of work, the paper mill of which he has experience, had reduced the wages *pro rata*, but this point was disputed by the other producers present at the conference in so far as their units were concerned.

11. Mr. Ratanlal, editor of the Bombay Law Reporter, who was one of the invitees on behalf of consumers, urged that so long as the industry was in need of expansion, protection should not be withdrawn, as otherwise, the public might lose confidence in the ability of the industry to stand on its own legs and might not come forward with the capital necessary to finance the new projects. He pleaded for stricter control on the distribution and prices of paper, but would not advise any disturbance of the existing measures of protection.

12. Mr. Narasimengar, who was the Chairman of the Panel on Paper Pulp, Board and Chemical Cotton Industries appointed by the Planning and Development Department, said that his Panel had also considered the question of protection to the paper industry and had come to the conclusion that, while foreign competition in the industry was practically non-existent at the present moment owing to unsettled conditions in foreign countries and shipping difficulties, protection to the paper industry would be necessary to safeguard it against keen foreign competition in the post-war period. The Panel was further of the opinion that the scope of protection afforded to the industry should be extended so as to include varieties of paper and boards that remained unprotected at present. The Panel had recommended that the degree and form of protection for different classes of paper and boards should be reviewed by the Tariff Board at an early date. This measure was recommended not only to create confidence in the minds of the existing millowners, but also in order to provide an incentive for the prospective industrialists who wished to set up new paper mills. In the course of further discussion, Mr. Narasimengar agreed that in the Panel they looked at the question of protection from a different point of view, but that now in the light of these discussions with the Board, he at any rate would revise his opinion and say that termination of protection with an assurance of re-imposition of a suitable scheme of protection, should necessity for such action arise in future, would be a better proposition for the industry than extension of protection from year to year without any indication as to what might be done by way of a permanent measure. Such action would also, in his opinion, accord with the fact that the industry as it stood today had no competition to be afraid of and was not in need of protection.

13. The last Tariff Board inquiry was held in 1938. The report submitted by that Board gives the progress of the industry up to 1936-37. We are giving here some facts and figures to show the progress made by the industry.

since then. The number of mills increased from 9 in 1936-37 to 16 in 1944, *vide* table below :—

Table showing paper mills in 1944 with their capacity and actual production in one year (1944).

Name of Mill.	Location.	Average annual productive capacity.	Actual output in 1944.
		Tons.	Tons.
1. Titaghur Paper Mills . . .	Titaghur . . .	31,000	31,012.9
2. Titaghur Paper Mills . . .	Kakinara . . .		
3. Bengal Paper Mills . . .	Raniganj-Burdwan . .	11,000	11,980.6
4. Indian Paper Pulp . . .	Hulishahar-Naihati . .	8,000	8,403.2
5. Shree Gopal Paper Mills . . .	Jagadhri, N. W. R. . .	8,000	8,548.5
6. Star Paper Mills . . .	Saharanpur . . .	3,600	3,493.3
7. Upper India Couper Paper Mills . . .	Lucknow . . .	3,000	3,329.4
8. Mysore Paper Mills . . .	Bhadrapur-Mysore State . .	4,000	2,470.4
9. Deccan Paper Mills . . .	Bhowani Peth-Poona . .	3,000	2,850.0
10. Gujerat Paper Mills . . .	Ahmedabad . . .	1,200	1,254.0
11. Andhra Paper Mills . . .	Rajamundry—(Madras). .	2,500	1,556.3
12. Sirpur Paper Mills . . .	Sirpur—(Hyderabad State). .	5,000	4,471.4
13. Punalur Paper Mills . . .	Punalur (Travancore State) . . .	3,500	3,524.9
14. *Pudumjee Paper Mills . . .	Bombay . . .	..	153.4
15. Orient Paper Mills . . .	Sambalporo—Dist Orissa . .	10,000	10,983.2
16. Rohtas Industries . . .	Dalmianagar—Bihar . .	10,000	9,772.3
	Total . .	103,800	103,783.8

NOTE.— The average annual productive capacity of the mills is based on the working conditions of each factory, in the year 1944. Since then, however, paper mills are not running to the extent that they did during the war period when the maximum possible production was aimed at to assist in the war effort. Moreover, since August 1946, working hours have been reduced from 9 to 8. Adjusting the figures for the change in working conditions, it can be assumed that the effective production of Indian paper mills will not be higher than 85,000 tons per year.

* This mill was owned by Deccan Paper Mills but was sold on 23-10-1944 and is now operated as a separate concern. Production given is only for two months November and December. Production for the period January/October inclusive is included under Deccan. No separate annual productive capacity is given, since this is included under Deccan.

The number of workers employed in all paper factories increased from 7,037 in 1936-37 to 17,629 in 1945, that is by 150.5 per cent. The development in the production of protected and unprotected varieties of paper is given in appendix VI. The total production of paper and board (protected and unprotected) increased from 48,531 tons in 1936-37 to 59,198 tons in 1938-39 (i.e. by 22.0 per cent.) and to 97,402 tons in 1945-46 (i.e. by 100.7 per cent.). The most significant factor in this development is the rapid rise in the produc-

tion by Indian mills of unprotected varieties. While the production of protected varieties increased from 43,365 tons in 1936-37 to 51,933 tons in 1938-39 (i.e. by 19.8 per cent.) and to 58,851 tons in 1945-46 (i.e. by 35.7 per cent), that of unprotected varieties increased from 5,176 tons in 1936-37 to 7,265 tons in 1938-39 (i.e. by 40.3 per cent.) and to 28,551 tons in 1945-46 (i.e. by 451.6 per cent.) The production of protected varieties throughout the war period was maintained at a steady average of 64,000 tons, while the production of unprotected varieties rose from 7,265 tons in 1938-39 to 36,932 tons in 1944-45 (i.e. by 408.3 per cent.) It will also be seen that the maximum production of protected varieties was recorded in the year 1940-41 and of unprotected varieties in the year 1944-45, the respective figures being 65,608 tons and 36,392 tons. The total production of all protected and unprotected varieties reached the figure of 100,052 tons in the year 1944-45. Only provisional figures of production for the first eight months (April—November) of 1946 are available. They show that the total quantities of protected and unprotected varieties produced in India amounted to 33,304 and 20,108 tons respectively. The fall in production is due partly to the reduction in the hours of work from 9 to 8 per shift since August 1946, partly to disturbed conditions in the country, and partly to some mills now not working to the maximum extent as they were doing during the war period, when the maximum possible production, regardless of wear and tear or the carrying out of necessary repairs and replacement, was aimed at as a measure of war effort. The industry was asked to explain the relatively greater rise in the production of unprotected varieties as compared with the protected varieties, regard being had to the fact that the output of protected varieties was still considerably short of the requirements of the country, but no satisfactory explanation was forthcoming except to say that one or two mills were specialising in the production of unprotected varieties. In any case, it was clear that the present revenue duties on unprotected varieties were affording them sufficient protection and that application of a regular scheme of protection to these varieties was hardly called for. The producers at the conference stated that they have been paying considerable attention to bringing their pulp and beating processes up to date, thus resulting in an all-round improvement in the quality of Indian made paper. The Controller of Printing and Stationery, however, stated at the conference that he had evidence to show that some Indian made paper had deteriorated in quality, but the contention of the producers was that they were steadily improving their quality, that their quality was as good as that of imported paper, and that any defect that might have been noticed was due to the unavailability of the proper quality of chemicals rather than to a flaw in the paper making process. Most of the mills have improved their pulp making plants and some of them are at present manufacturing their own requirements of caustic soda and chlorine. Production of kraft paper has been undertaken by one mill, although, as pointed out previously, the quality of this paper is in dispute. Special types of paper, such as blotting paper, bank paper, etc., are also being successfully manufactured by Indian mills. It is significant to observe that this development has taken place despite the fact that imports of wood pulp have been appreciably curtailed during the war showing that bamboo pulp,

properly prepared, is suitable for the manufacture of a large range of paper products. The decline in the imports of wood pulp will be seen from the table given below:—

Volume of imports of wood pulp into India since 1936-37.

Year.	Total quantity. Tons.	Total value. Lakhs of Rupees.
1936-37	11,047	14.56
1937-38	10,717	17.17
1938-39	13,843	23.89
1939-40	11,714	21.84
1940-41	4,443	12.30
1941-42	2,916	10.67
1942-43	623	2.51
1943-44	502	3.78
1944-45	7,217	33.68
1945-46	6,914	23.88

The decline in the import of wood pulp has been more than made up by increased use of raw materials locally available in the country, as will be seen from the table given below:—

Raw materials.	1936-37.	1944-45.
	Tons.	Tons.
Bamboo	19,281 (Pulp)	1,87,000 (bamboo) 62,300 (in pulp)
Sabai grass	11,510 (Pulp)	60,086 (sabai Grass) 20,000 (in pulp)
Waste paper	8,902	17,400
Old rags, cloth cutting, hemp rope, etc.	2,537	27,328
Imported wood pulp	10,578	7,200

It will be seen from the above analysis that India is advantageously placed with regard to the basic raw materials used for paper manufacture. Bamboo, which is to be found in abundance, has become the principal raw material for paper manufacture in India, sabai grass being still the chief raw material in certain areas like U.P., and the Punjab, and the pulp made from both bamboo and sabai grass can hold its own against imported wood pulp, the fall in the import of which did not hold up the progress of the local paper industry. The industry thus enjoys natural advantages in regard to raw materials and has a vast and expanding market to cater for. It made remarkable progress in war time and there is great scope for further expansion in the post-war period.

14. In any consideration of a case for protection, the existence of foreign competition and the possibility of imports are the most relevant issues. To understand these factors it is necessary to know what the position of the industry in the world as a whole is. Before the war, the principal manufacturers of

paper were U.K., Germany, Italy, Norway, Sweden, Finland, Holland, Czechoslovakia, Japan, U.S.A. and Canada. Of these Germany, Holland, and Japan may be left out of consideration at the present time, as these countries are not likely, owing to the severe damage suffered by them in the course of the war, to compete with the Indian industry in the near future. New competitors have, however, since appeared, notably Newfoundland which is reported to have vast schemes for the manufacture of paper. The present position can be summed up by saying that, while the world's manufacturing capacity in paper has been seriously impaired as a result of the war, the aggregate requirements of the world to day are definitely much more than in pre-war years. Within India itself, owing to the imposition of control and the necessity of meeting, during the war period, the entire defence service requirements from indigenous production, the quantity of paper actually made available for essential civil requirements was at one time drastically reduced, amounting to approximately 30 per cent. of the total production of Indian mills. The quota has since been raised to about 70 per cent. of the total Indian production. This compulsory under-consumption has left behind some backlog which remains to be satisfied. The same state of affairs exists more or less in other countries also. The establishment of new paper mills and the rehabilitation of worn-out units may take anything from two to three years owing to the difficulty of manufacturing, supplying, and installing paper mill machinery. In the meantime, therefore, the Indian mills will be kept busy, having nothing to fear from imports. We may now take the different paper producing countries one by one and rapidly examine the possibility of their becoming a serious competitor to India :—

(i) *United Kingdom*.—In so far as the United Kingdom is concerned, it has not yet achieved its pre-war production, and its *per capita* consumption at present is also lower as compared with the pre-war period. Although in recent months exports of paper from the United Kingdom have shown an upward tendency and imports into India from the United Kingdom have actually recorded an improvement, it cannot be expected that any appreciable increase in these supplies will be possible in the near future.

(ii) *Norway*.—In so far as Norway is concerned, its productive capacity at present is said to be only 40 per cent. of its pre-war capacity. The demands for Norwegian paper are reported to be so heavy that supplies coming to India are not likely to assume any large volume.

(iii) *Sweden*.—Sweden is a hard currency area and exchange difficulties prevent any large scale importation from that country. Besides, Sweden has got trade agreements with the United Kingdom, France, and some other European countries, and the quota allotted to India is negligible.

(iv) *Finland*.—Finland is one of the countries which has a surplus capacity to supply to the rest of the world. Its home consumption comes to only 10 per cent. of its total production; but it must be remembered that Finland is at present under the sway of Russia and is hardly in a position to send its surplus production to other countries.

(v) *Czechoslovakia*.—Czechoslovakia has not yet come back to its pre-war

capacity. The prices of Czechoslovakian paper are also high as compared with the prices of similar varieties manufactured in other countries, with the result that it is not likely to offer competition in India.

(vi) U.S.A.—As far as U.S.A. is concerned, the productive capacity has not been increased during the war. The production is said to be hardly sufficient for the domestic needs of America. As a matter of fact, America itself is importing at present substantial quantities of paper from Canada.

(vii) Canada.—Canada has increased its production during the war by 2 million tons as compared with the pre-war figure. Due to acute world shortage of paper and the necessity of Canada having to supply the requirements of U.S.A., how far it can divert its surplus to India is problematical.

The above survey which was discussed at the conference shows that on the whole the Indian paper industry has little to fear from any serious competition from abroad at least for some time to come and that the apprehension of dumping by other countries is based more on diffidence and nervousness than on solid verifiable data.

15. Appendix VII gives details of imports separately for protected and unprotected varieties of paper (inclusive of boards, Import trade in paper, but exclusive of old newspapers, other kinds of paper, and newsprint). Appendix VIII gives details of the imports into India of old newspapers, other kinds of paper, and newsprint.

It will be seen from these figures that, while the imports of protected varieties have reached in 1945-46 a figure which is almost equal to the pre-war imports, the imports of unprotected varieties have declined from 57,312 tons in 1938-39 to 12,188 tons in 1945-46. During the war, the position with regard to newsprint has been very serious; the imports of newsprint decreased from 43,246 tons in 1937-38 to 11,237 tons in 1942-43. Besides increased newspaper requirements, Government consumed a substantial quantity for their publicity work, with the result that there was an acute shortage of newsprint for civil requirements. Before the war, India was annually consuming on an average 38,000 tons of newsprint, which came mainly from Sweden, Norway, Canada, and U.K. No newsprint has ever been manufactured in India. The total imports of protected and unprotected varieties of paper for the five months April-August 1946 amounted to 8,133 and 9,568 tons, respectively; and of newsprint 8,830 tons. Assuming that the imports will be maintained at the levels indicated by the imports in the five months April-August 1946, it is estimated that the total imports of all kinds of paper (including newsprint, old newspapers, and other kinds of paper) would not exceed 67,800 tons—which is roughly 41 per cent. of the average imports of all kinds of paper in the three years preceding the war. Excluding newsprinting paper, old news-papers and other kinds of papers, the total imports of protected and unprotected paper would not exceed 45,000 tons for the year which is roughly 58 per cent. of the average imports of such paper in the three years preceding the war. The Controller of Printing and Stationery said at the conference that he was trying hard to obtain 2,000 tons of protected varieties of paper from abroad but that he had

not yet succeeded, indicating thereby the difficulty of getting imports from abroad. The same experience was confirmed by representatives of importers present at the conference. The Panel on Paper, Pulp, Board, and Chemical Cotton Industries has also come to the same conclusion. In paragraph 61 of its report, the Panel says that, owing to unsettled conditions in foreign countries and shipping difficulties, foreign competition in the paper industry is practically non-existent at the present time. The Panel, however, points out that, when normal conditions revert and peacetime production abroad is well advanced, foreign countries—particulary U.K., Norway and Sweden might endeavour to capture their pre-war export markets, including India.

16. Even if it were shown that there is a real threat of import of paper from abroad, the industry could not have made out a case for protection unless it was shown at the same time that the prices of imported paper were lower than the prices of comparable paper made in the country.

Comparison of prices of imported and indigenous paper.

It is not possible to make any detailed comparison between prices of imported and indigenous paper so as to be of any great value, for the reason that the quality of the imported paper is in very many cases different from that of the indigenous product and also that the c.i.f. quotations of the same quality of imported paper fluctuate within very wide limits. Even so, whatever information is available points to the conclusion that the indigenous products have nothing to fear from imported goods even in the matter of prices. Two large import firms importing paper into this country in substantial quantities have stated that the current c.i.f. quotation for imported printing and writing paper are £105 and £110 per ton, respectively which are equivalent to 10 annas and 10 annas 6 pies per lb. The current selling prices fixed for the Indian paper of quality comparable with the above imported paper are in both cases 7 annas 5 pies per lb. It will be seen, therefore, that the Indian price is 74·2 and 70·6 per cent. of the prices of imported paper (exclusive of duty). Similar figures for unprotected varieties are, however, not available, but a representative of one importing firm stated that in some cases the c.i.f. prices of imported unprotected items were more than double of those of comparable Indian unprotected varieties. In the absence of correct figures, we are unable to substantiate this statement, but in view of the significant development by the Indian industry in the production of unprotected varieties, we are led to conclude that prices of indigenous unprotected varieties are favourable as compared with those of the imported ones. The current c.i.f. price of wood pulp, as given by the Collector of Customs, Bombay, is Rs. 510/- to Rs. 520/- per ton. At the conference the representatives of the industry, when asked to indicate the present price of Indian bamboo or grass pulp used by them in the manufacture of paper, were not inclined to disclose the exact figure, but stated that, even if it were possible to import wood pulp into India at something like Rs. 300 per ton, the indigenous bamboo or grass pulp industry would be in a position to compete effectively with such imported wood pulp. It will be safe to conclude, therefore, that there is now little prospect of the foreign products being put on the Indian market in appreciable quantities in competition with the indigenous industry.

17. The *per capita* consumption of paper in India was only 1 lb. in 1939, as compared with 152 lbs. in U.K. and 174.4 lbs. in U.S.A. in 1935 and 174.7 lbs. in Canada in 1937. At present, the consumption of paper is highest in U.S.A., the *per capita* consumption being 300 lbs. in 1941. The low consumption of paper in India in the past can largely be attributed to the poor literacy standard, but this position may be expected to change materially in the near future. The Paper Panel, which went into the question of Indian requirements in great detail, has estimated that our annual consumption (inclusive of newsprint) may be expected to be 280,000 tons in 1951 and 422,000 tons in 1956 and has suggested plans for increasing Indian production to meet this demand. The effective productive capacity of the existing paper mills in India is estimated at 85,000 tons; actually in 1946-47 the production is not expected to be over 80,000 tons. Excluding newsprint for which the demand is expected to be about 60,000 tons, the entire quantity of which will have to be imported until its manufacture is established in India, the total quantity of other kinds of paper which Indian mills will have to produce to meet the anticipated annual consumption will be 220,000 tons in 1951. The pre-war average consumption of protected and unprotected varieties of paper (excluding newsprint and old newspapers) was in the neighbourhood of 130,000 tons. In view of the unsatisfied demand during the war period and of the increased demand following the literacy drive in the country, it will be safe to assume that the total demand for paper (exclusive of newsprint) in the next year or two is likely to be 160,000 tons. Assuming that existing mills can produce up to a maximum of 85,000 tons, the gap between expected demand and actual supply will be 75,000 tons which will have to be bridged partly by expansion of existing mills or installation of new mills and partly by imports. At the conference it was stated to us that no new mill would be able to start production before 1950, since foreign manufacturers of paper mill machinery were not in a position to effect deliveries in less than two or three years. It might be possible for the existing mills to replace and re-equip their plants within this period, but even then their maximum production is not expected to exceed 85,000 tons. There is, however, as shown in the preceding paragraph, no possibility of importing in the next year or two more than 45,000 tons annually, excluding newsprint, as against the gap of 75,000 tons. That being the overall picture, it is clear that the country will have to remain short of paper for some time to come, that any imports coming from abroad will be supplementary rather than competitive, and that the country should welcome any steps which might be taken to create the atmosphere for increased imports or to lower prices of imports, both these factors having a beneficial effect on the general supply position in the country as well as on the anti-inflationary drive of Government.

18. Both indigenously produced and imported paper is at present controlled by Government in the Department of Industries and Supplies in the matter of distribution and price. So long as this position obtains, it affords virtual protection to the industry in that it assures offtake for the entire production and fixes prices so as to leave a reasonable margin of profit to the producers.

Control over prices of imported paper ensures that there would be no competition between home-made and imported paper even if imported paper were to come at prices below the selling price of the Indian paper. When the control comes to be lifted, the position will be no worse for the industry so long as the scarcity of paper continues and imports offer no competition to the Indian industry either in the matter of quantity or in prices. We, therefore, conclude that although the existence or absence of control should not be mixed up with the claim for protection which must be judged on grounds of competition at present and in the near future, yet the control, while it lasts, affords virtual protection to the industry and therefore weakens the case for continuance of protection.

19. One reason why the industry insists on continuance of protection even in the absence of competition is the fear that the industry, once de-protected, would find it difficult to secure protection, if it was again threatened by competition in future. Considering the genuineness of this apprehension on the part of the industry, we have given anxious thought to it, but we have come to the conclusion that there is no warrant for believing that Government, as it is now constituted, would be slow in recognising the importance of the industry in the national economy and doing everything in its power to safeguard it from dumping, foreign competition, or any other form of injury, such as, exchange manipulation. The readiness with which Government have recently come to the aid of relatively small wartime industries with schemes of protection should be a sufficient answer to all these doubts and fears, but even so, we propose to make a provision in our recommendation to allay these fears on the part of the industry.

20. We have seen before that foreign competition is practically non-existent, that imports are far short of the requirements of the country, that prices of imports are in some cases cent. per cent. above those of comparable Indian goods, that the industry has made considerable progress not only in protected varieties but even in unprotected varieties, and that protection is not regarded even by the spokesmen of the industry as conferring any benefit on the industry in the conditions of today. Mr. Jain made it clear that the industry asked for continuance of protection more as an insurance against dumping in future and for its sentimental and reassuring value than as an economic necessity. Earlier in the report we have stated the principles which, in our view, would justify grant or continuance of protection. The first pre-requisite for grant or continuance of protection is the existence of competition from which the industry needs to be protected. It is agreed on all hands that there is no such competition at present. There is, therefore, no case for the continuance of protection. The supply position is such that the country could do with far more imports than are offered from the various sources of supply as testified to by representatives of importers present at the conference. Even such imports as are available are coming at prices far in excess of the selling prices of Indian products which are fixed on the basis of cost of production. With all that, we might have been persuaded to recommend continuance of protection if we had felt that either the present position was unstable and likely to change materially

n the near future or there was no way of meeting the fears of the industry as regards the difficulty of timely re-imposition of protection in future. The survey of the world position in regard to the paper industry has disclosed that for some time to come India has nothing to fear from abroad. In our analysis of supply and demand, we have indicated that it would take many years before the gap between the two was bridged, even after taking into account plans for expansion. We have also shown that termination of protection does not mean that the industry would be, so to say, an orphan and would never be protected in future. It is possible to devise a scheme which, while conforming to the conditions of today, would set at rest the fears of the industry as regards the future. In the circumstances, we have come to the conclusion that the industry has failed to substantiate its claim or demand for continuance of protection; and we are further satisfied that the industry as it stands today does not need any protection by means of protective duties. In this context we cannot ignore the fact that, on the termination of protection as a result of the acceptance of our recommendations, some revenue duties are likely to be imposed which, though determined on financial considerations as against the requirements of the industry, would still afford a certain amount of indirect protection to the industry. In fact, the present position is that the unprotected varieties are more protected than the protected varieties because of the higher revenue duties leviable on them. We have brought in this point here not because we feel that the industry requires some protection but to ensure that the industry should not entertain the notion that termination of protection would automatically mean abolition of all duties.

21. The conclusion referred to in the preceding paragraph renders consideration of the three alternatives put to the industry easy. As we have held that the industry has not proved the case for continuance of protection, it is not possible for us to recommend either the maintenance of *status quo* or the keeping of protective duties in abeyance while retaining the industry on the list of protected industries. Apart from the fact that the industry, not having made out a case for protection, is not entitled to ask for the protective duties to be kept in abeyance, there is the further objection to the adoption of this alternative in that suspension of the duties will cause loss of revenue to the State (*vide* appendix IX) without conferring any benefit on the industry or giving any reason to hope that thereby there would be an increased inflow of imports at lower prices. We are, therefore, left with the third alternative, namely, allowing the scheme of protection to lapse on March 31, 1947, and replacing the protective duties by such revenue duties as may be imposed by Government on financial considerations. We accordingly recommend that the protective duties now in force should be allowed to expire on the date on which they are due to expire and that thereafter the protected varieties of paper should be treated as unprotected varieties liable to revenue duties. The industry was asked if in the event of Government deciding on the termination of protection to the paper and paper pulp industry, there were any special protected items in respect of which an exception would be justified, and the reply was that it had no suggestion to make in this behalf. The Board is satisfied that of the four protected items none needs to be specially treated and that the recommendation for de-protection should apply equally to all protected items.

22. (a) *General remarks.*—It is not within the province of the Tariff Board **Revenue duties.** to suggest what revenue duties should take the place of protective duties even while recommending termination of existing protection in the case of a particular industry. There are, however, some features of this particular case to which we would like to draw the attention of Government in order that they may be given due weight while determining the scale of revenue duties. One point is that a consequence of de-protection should not ordinarily be an increase in the quantum of duty. This, however, is likely to happen in this case, unless special care is taken to avoid it. This is due to the fact that revenue duties on paper are *ad valorem* whereas protective duties on two of the protected varieties are specific, their incidence being relatively low owing to the large increase in the price of paper in wartime. For instance, the incidence of the protective duty of 10-4/5 pies per lb. in the case of printing paper, item No. 44(1) of the Indian Customs Tariff Schedule (appendix X) must have been very much higher when the protective duty was first imposed and when the prices of paper were comparatively lower than what they are now. On the other hand, in the case of wood pulp, the *ad valorem* duty of 30 per cent. would mean a much higher incidence than what it must have been before the war the prices of pulp being nearly Rs. 590 per ton now as against Rs. 160 per ton in 1937-38. These instances illustrate the anomaly referred to by a representative of the importers at the conference that in actual practice some protected varieties of paper bore a much lower burden of duty than unprotected varieties, all of which were subject to *ad valorem* duties. In the protective list, wood pulp and writing paper (ruled or printed) are subject to *ad valorem* or specific duty, whichever is higher, while writing paper (all other sorts) and printing paper are subject to a specific duty of 10-4/5 pies per lb. only.

(b) *Wood pulp* is at present a protected item, but if our recommendations are accepted, it will be transferred to the revenue schedule. Representatives of the industry have suggested that Government should levy on this article as low a revenue duty as possible and urged that the present duty should be reduced by one-half. The present duty is 30 per cent. *ad valorem* or Rs. 36 per ton inclusive of surcharge—*vide* item No. 43 of the Import Tariff Schedule I. The operative duty is the *ad valorem* rate in view of the considerably higher price of wood pulp at present. There is now a tendency for a still further rise in the prices of wood pulp as indicated by the fact that only a short while ago Canada announced an increase of 10 per cent. in the price of its wood pulp. The latest quotations are £45 per ton c. i. f. Bombay, equivalent to Rs. 600. The duty at 30 per cent. on this c.i.f. price would be Rs. 180 per ton, which is very much higher than the alternative of Rs. 36 per ton. When the alternative of specific duty was laid down in the original scheme of protection, the position was that, owing to the possibility of import of wood pulp at reduced prices, the *ad valorem* duty might not give the same degree of protection as the specific duty. That position, however, has now completely changed, and the effective duty is the *ad valorem* rather than the specific rate. Considering that import of some wood pulp is not likely at present to jeopardise the indigenous bamboo and grass pulp industry and that in fact more import is required to step up the production of paper, taking advantage of the existing installed capacity, we

endorse the request of the paper industry that the duty on wood pulp should be lower than what it is today. We do not propose to suggest exactly what it should be, that being not our concern. If our suggestion of a lower duty on imported wood pulp is favoured by Government, the revenue duty will have to be lower than 30 per cent. *ad valorem*, or without the alternative of an *ad valorem* rate if it is to be a specific duty. In this connection we should like to mention that, although wood pulp was not manufactured in the country, a protective duty was imposed on it in order to develop the manufacture of bamboo pulp in India. We have considered whether any reduction in the duty on pulp would prejudice the development of the grass and bamboo pulp industry in the country, and we are satisfied that, although there is no such danger at present, the matter would require to be carefully watched as some units of the industry might like to use imported pulp in preference to pulp manufactured by themselves. For this purpose, Government should prescribe the submission of periodical statements of pulp used by each paper factory, showing separately imported pulp and locally manufactured pulp used by the factory, and giving reasons where the use of imported pulp is rising at the expense of locally made pulp. If the substitution of imported pulp for locally made pulp tends to become high, there might be a danger of the indigenous pulp industry being weakened thereby. In such an event, an inquiry into the matter should be held and necessary action should be taken to safeguard the pulp industry by an increase in the rate of duty. In recommending this line of action, we have in view the fact that the pulp industry has been rightly encouraged by Government in the past as constituting the very basis of a well established and progressive paper industry, which cannot be allowed to be weakened by strong foreign competition.

(c) *Writing paper* is divided into two classes, namely, (i) ruled or printed forms, including letter paper with printed headings, and envelopes made of writing paper and account and manuscript books and binding thereto; and (ii) all other sorts. The former variety is subject to a protective duty of 10-4/5 pies per lb. or 30 per cent. *ad valorem*, whichever is higher, inclusive of surcharge; while the latter variety is subject to a specific duty of 10-4/5 pies per lb. Considering the higher prices of paper now prevailing as compared with pre-war prices, the operative duty at present is 30 per cent. *ad valorem* and if the revenue duty is fixed at a figure not exceeding 30 per cent. *ad valorem*, there will be no increase in the existing level of duties. In the case of writing paper, all other sorts, i.e. variety (ii), a revenue duty of 10-4/5 pies per lb. would give a much lower incidence than 30 per cent. As we do not contemplate any increase in duties as a consequence of de-protection, we suggest that, in the case of variety (ii), the revenue duty should be no more than the specific duty which is at present leviable. This will no doubt create an anomaly of differential rates of revenue duty not only between unprotected and de-protected varieties of paper, but even amongst different varieties of de-protected paper, but this cannot be helped unless the specific duty is replaced by the usual *ad valorem* duty of 30 per cent. which, as mentioned above, we do not intend. In any case, we have not had time to examine this question at any length and to suggest ways and means of removing this anomaly or introducing a sort of uniformity in the different rates of revenue duties.

(d) What we said in the preceding subparagraph about writing paper applies equally to *printing paper*, in which case, therefore, on termination of protection, the revenue duty leviable should not exceed 10 4/5 pies per lb., although the revenue duty on printing paper containing mechanical wood pulp amounting to more than 70 per cent. of the fibre content, apart from the exceptions mentioned in the footnote to item No. 44 (2) in the tariff schedule, would be a very much higher rate, namely, 30 per cent. *ad valorem*.

23. We have explained at some length that the demand of the industry for continuance of protection was animated more by **Specific assurance of future protection.** the fear and uncertainty of the future than by the requirements of to-day. We have also pointed out that the Panel's plea for extension of protection was prompted by the desire to facilitate the expansion of the industry so as to meet the demands of the country. There is really not much force in this contention, judging from the experience of a number of floatations of new companies which have taken place recently and in respect of which not only there has been no assurance of protection in the future but there is every indication of strong competition from abroad. We shall take only one example, that of the rayon industry. At least three new rayon concerns (Bombay, Travancore and Hyderabad) are being established shortly in the country, and it is said that these concerns did not have much difficulty in raising the necessary capital. The fact that the industry had no assurance of protection for the future did not result in the necessary capital being withheld from the ventures. We, however, recognise the genuineness of both these considerations and think that a more positive declaration from Government than a mere reference to its policy of industrial development is required in the present case. For the reasons explained by us in greater detail in our report on the iron and steel industry, we recommend that, simultaneously with the announcement of the decision of Government to terminate protection for the paper and pulp industry, they should make a categorical declaration (a) that this industry is one of national importance, (b) that Government will forward any application received from the industry for revival of protection to the Tariff Board for investigation and report, (c) that Government will pass orders on the report of the Board as expeditiously as possible and (d) that every endeavour will be made to complete all these stages in a period not exceeding six months. With such an assurance, we see no reason why the industry should entertain any apprehensions as to the future and why the expansion of the industry, on which point all are agreed, should in any way be hampered or retarded. Such a declaration is regarded by us as an integral part of our recommendation for de-protection and both must, therefore, go together. In our view, such an assurance should be more valuable to the industry than extension of protection from year to year without any knowledge as to what might be done later by way of a permanent measure.

24. The conference was attended by representatives of two firms interested in the manufacture of rayon in the country, namely, **Rayon industry and pulp.** National Rayons, Bombay, and Travancore Rayons, Travancore. They urge that they were interested on wood pulp, which was a raw material in the production of rayon and of which

they would be consuming large quantities as soon as rayon manufacture was established. They would, therefore, like the duty on wood pulp to be reduced to the lowest possible figure. In any case, the representative of the rayon enterprises supported the consensus of opinion in the conference as regards de-protection of, and reduction in the duty on wood pulp. It was pointed out by these representatives that the rayon industry required a special type of pulp which was not yet produced in the country, and over the import of which, therefore, high duties, protective or revenue, were undesirable. It was explained to them that the need for any concession in the matter of duty on wood pulp asked for by the rayon industry would be investigated only when the case of the rayon industry was referred to the Board for inquiry and report. It will then be possible to examine how the cost of pulp was affecting the competitive capacity of the Indian-made rayon and where and how protection and assistance should be given.

25. The paper industry is now making a voluntary contribution at the rate of four annas per ton of paper for expenditure on research. Considering the average price of paper to-day, this contribution is very insignificant. The need for research in the paper industry is very great, and we wish to draw the attention of the industry therefore to the desirability of making more substantial contributions for research.

26. In the body of our report, we have referred to the report of the Paper Publication of Paper Panel which we found to be rather helpful. We Panel Report. hope that the Paper Panel Report will be published before, or along with, our report so that the appreciation of our report may be facilitated. We were informed by the Secretary of the Panel that the Paper Panel's report would be published shortly and that is why we have made references to that report in our own proceedings.

27. Our conclusions and recommendations are summed up as under:—

Summary of conclusions and recommendations.

(1) The present revenue duties on unprotected varieties were affording the industry sufficient protection. Application of a regular scheme of protection to these unprotected varieties was, therefore, hardly called for. (Paragraph 13).

(2) The industry enjoys natural advantages with regard to the basic raw materials and has a vast and expanding market to cater for. (Paragraph 13).

(3) The industry has achieved considerable progress in wartime and is capable of expanding in the post-war period. (Paragraph 13).

(4) While the world manufacturing capacity in paper has been seriously impaired as a result of the war, the requirements of paper have increased substantially. The Indian paper industry has little to fear from any serious competition from abroad, at least for some time to come. The apprehension of dumping by other countries is based more on diffidence and nervousness than on solid verifiable data. (Paragraph 14).

(5) The country will have to remain short of paper for some time to come. Any imports coming from abroad will be supplementary rather than competitive. The country should welcome any steps which might be taken to create an atmosphere for increased imports or to lower prices of imports, both these factors having a beneficial effect on the general supply position in the country as well as on the anti-inflationary drive of Government. (Paragraph 17).

(6) The existence or absence of control should not be mixed up with the claim for protection which must be judged on grounds of competition at present and in the near future. Control, while it lasts, affords virtual protection to the industry. (Paragraph 18).

(7) There is no warrant for believing that Government, as it is now constituted, would be slow in recognising the importance of the industry in the national economy and doing everything in its power to safeguard it from dumping foreign competition, or injury by any other means such as exchange manipulations. (Paragraph 19).

(8) The industry has failed to substantiate its case for continuance of protection. The industry, as it stands to-day, does not need any protection by means of protective duties. (Paragraph 20).

(9) The protective duties now in force should be allowed to expire on the date on which they are due to expire. Thereafter, the protected varieties of paper should be treated as unprotected varieties liable to revenue duties which may be imposed by Government on purely budgetary considerations. (Paragraph 21).

(10) A consequence of de-protection should not ordinarily be an increase in the quantum of duty. [Paragraph 22 (a)].

(11) Since the import of some wood pulp is not likely at present to jeopardise the indigenous bamboo and grass pulp industry, and more import is required to step up production of paper, taking advantage of the existing installed capacity, the request of the paper industry that the duty on wood pulp should be lower than what it is to-day is endorsed. [Paragraph 22 (b)].

(12) In view of the importance of fostering and developing the bamboo pulp industry, Government should carefully watch the effect of the removal of protective duties on wood pulp as some units in the industry might like to use imported pulp in preference to pulp manufactured by themselves. If substitution of imported pulp for locally made pulp tends to become high, an inquiry into the matter should be held and necessary action taken to safeguard the pulp industry by an increase in the rate of duty. [Paragraph 22 (b)].

(13) The revenue duty leviable on writing paper (ruled and printed) should not be more than 30 per cent. *ad valorem*, while the revenue duty leviable on all other sorts should not be in excess of 10-4/5 pies per lb. Similarly, the revenue duty on printing paper containing mechanical wood pulp amounting to less than 70 per cent. of the fibre content should not be higher than 10-4/5 pies per lb. on termination of protection. [Paragraphs 22 (c) and 22 (d).]

(14) Simultaneously with the announcement of decision to terminate protection for the paper and paper pulp industries, Government should make a categorical declaration (a) that this industry is one of national importance, (b) that Government will forward any application received from the industry for protection to the Tariff Board for investigation and report, (c) that Government will pass orders on the report of the Board as expeditiously as possible, and (d) that every endeavour will be made to complete all these stages in a period not exceeding six months. (Paragraph 23).

(15) The industry is advised to make more substantial contributions towards research. (Paragraph 25).

28. The thanks of the Board are due to Mr. S. D. Sunawala and Rao Sahib **Acknowledgments.** Srinivasan, Technical Advisers attached to the Board, Mr. A. S. Bhatnagar, Secretary of the Paper Panel, and Rai Sahib S. C. Aggarwal and Dr. Rama Varma, Deputy Secretary and Assistant Secretary of the Board, for their advice and help throughout the course of this inquiry.

SHANMUKHAM CHETTY—President.

C. C. DESAI—Member—Secretary.

NAZIR AHMAD—Member.

S. C. AGGARWAL—Deputy Secretary.

Bombay, 15th February 1947.

SUPPLEMENTARY NOTE BY THE BOARD.

The Report has indicated that in the opinion of the Board the consequences of de-protection should not be the imposition, on the de-protected items of revenue duties on a higher scale than the existing protective duties. The different rates that now exist in the various categories of protected and unprotected paper have resulted in certain anomalies, to which the Board has drawn attention. The Board could not make any recommendations about the scale of revenue duties to be imposed on the de-protected items, because the question of revenue duties is outside the purview of the Board. In view of the great importance of making available paper in sufficient quantities and at as cheap a price as possible in the interest of the drive for literacy, we would strongly impress on Government the need for levying as low a revenue duty as possible on these de-protected items consistent with budgetary considerations. One of our colleagues, Mr. C. C. Desai, however takes the view that, regard being had to the world shortage of paper, there is little possibility of any appreciable increase in the supply of paper or of any material contribution to the anti-inflationary drive of Government as a result of a lower revenue duty and that, for these reasons, he sees no objection to the levy of a uniform revenue duty of 30 per cent. *ad valorem* on all categories of paper.

APPENDIX I.

(Vide PARAGRAPH 1).

No. 134-T (36)/46.

GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

FROM

New Delhi, the 19th December 1946.

B. N. BANERJI, Esq., M.B.E.,

Deputy Secretary to the Government of India.

To

THE MEMBER-SECRETARY,

*Indian Tariff Board,**Caltex House, Ballard Estate,**Bombay.*

SIR,

I am directed to address you on the question of continuance of protection to certain old established industries and particularly the sugar, paper and wood pulp, cotton textile manufacturing, and iron and steel manufacturing industries which had been granted tariff protection on the basis of recommendations made by previous Tariff Boards. As you are no doubt aware, the period for which protection had been granted to these industries was due to expire during the early years of the war, but had to be extended from time to time, and the last extension agreed to by the Legislature is due to expire on the 31st March 1947. Government have, therefore, to decide urgently as to their future course of action in respect of continuation of protection to these industries beyond the 31st March 1947 so that the necessary legislation could be undertaken during the forthcoming Budget Session of the Indian Legislature.

2. The most suitable method of coming to a decision on this question would undoubtedly be to request the Tariff Board to investigate the claims of these industries to continued enjoyment of protection at the existing, or at a reduced or enhanced scale. The Government of India are advised, however, that many of the economic uncertainties which made it impossible to conduct such an enquiry during the war are still continuing, and they are therefore considering whether any alternative method could be found for evaluating in a summary manner, and pending a full-dress tariff investigation which has to be postponed to a later date, the necessity or otherwise of continuing the existing measures of protection afforded to these industries beyond the 31st March 1947. While the Government of India consider that there is a good deal of force in the argument that conditions have not yet sufficiently returned to normal for a reasonably accurate appraisement of domestic cost and foreign prices, they feel at the same time that many of the already protected industries have reached a stage where the continuance of protection at the existing level merely results in the grant of an excessive margin of profit to the manufacturing interests at the direct expense of the consumer.

3. I am therefore to request you to be so good as to place this matter before the Tariff Board and let Government have their advice as to what would be the best method of proceeding further in this matter. In making their recommendations, the Board will no doubt bear in mind the interests both of the manufacturers and the consumers and will therefore consider the advisability of having a summary discussion with the representatives of the industries mentioned earlier in the letter and other interested parties. As a

decision has to be taken well before the commencement of the Budget Session in order to enable Government to introduce the necessary legislative measures in time, it will be greatly appreciated if the Board could forward their considered opinion as regards the degree of protection to be continued to these four industries, by the end of January, although this may involve some delay in completing the Board's programme relative to the wartime industries.

I have the honour to be,
 Sir,
 Your most obedient servant,
 (Sd.) B. N. BANERJI,
Deputy Secretary to the Government of India.



APPENDIX II.

(Vide PARAGRAPH 1).

GOVERNMENT OF INDIA.

DEPARTMENT OF COMMERCE.

New Delhi, the 20th January 1947.

RESOLUTION.

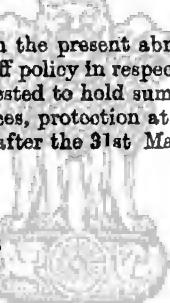
Tariffs.

No. 28-T (8)/46.—In their Resolution in the Department of Commerce No. 218-T (55)/45, dated the 3rd November 1945, the Government of India announced the setting up of a Tariff Board to investigate claims for assistance or protection received from industries which have been started or developed in wartime.

2. Government have also under consideration the question of continuance of protection to certain industries which were established before the war and were granted tariff protection on the basis of recommendations made by previous Tariff Boards. They have decided to request the Tariff Board, set up under the Resolution referred to in the preceding paragraph, to investigate and advise them with regard to the claims of such industries.

3. Government recognise that, in the present abnormal conditions, it would not be possible to formulate a long term tariff policy in respect of the well established industries. The Tariff Board is accordingly requested to hold summary inquiries and advise Government whether, in present circumstances, protection at the existing or at a different scale should be granted for a further year after the 31st March 1947 to the following industries:—

- (1) Sugar;
- (2) Paper and wood pulp;
- (3) Cotton Textiles;
- (4) Iron and Steel.



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(Sd.) N. R. PILLAI,

Secretary to the Government of India.

APPENDIX III.

(Vide PARAGRAPH 2).

*List of producers and other bodies invited to attend the Paper and Paper Pulp Conference.***PRODUCERS.**

1. Indian Paper Mills Association, Calcutta.
2. Indian Paper Makers Association, Calcutta.
3. Mr. E. V. Ganapati Iyer, The Mysore Paper Mills, Ltd., Bangalore.
4. Mr. Laiq Ali, The Sirpur Paper Mills, Ltd., Sirpur, Hyderabad (Deccan).
5. Mr. Jagraj, The Straw Board Manufacturing Company, Ltd., Lahore.

IMPORTERS.

1. The Calcutta Paper Import Association, Calcutta.
2. J. B. Advani & Company, Ltd., Bombay.
3. Mr. D. C. Walmsley, John Dickinson & Company, Limited, Bombay.
4. Mr. Ranbir Singh, J. N. Singh & Company, Limited, Bombay.
5. Paper Trader's Association, Bombay.
6. Bholanath Dutt & Sons, Ltd., Calcutta.

CONSUMERS.

1. The National Rayon Corporation, Limited, Bombay.
2. The Travancore Rayons, Limited, Trivandrum.
3. Mr. B. G. Dhawala, Karnatak Printing Press and Publishing House, Bombay.
4. "The Times of India" Press, Bombay.
5. "Onlooker", Bombay.
6. The Bombay Law Reporter, Bombay.

LABOUR.

1. Mr. Somnath Dave, Textile Labour Association, Ahmedabad.

OFFICIALS.

1. Mr. P. G. Bhagat, M.B.E., Controller of Printing and Stationery, New Delhi.
2. Mr. M. L. Narsimengar, Director of Industries, Government of Orissa, Cuttack.
3. Mr. M. P. Bhargava, Officer-in-Charge, Paper Pulp Section, Forest Research Institute, Dehra Dun.
4. Mr. K. B. Joshi, Hand-made Paper Research Institute, Poona.
5. Director General, Industries & Supplies, New Delhi.

OTHERS.

1. Mr. A. B. Nair, Office of the Consulate of Norway, Bombay.

APPENDIX IV.

(Vide PARAGRAPH 2).

*List of Producers and others who attended the Paper & Paper Pulp Conference.***PRODUCERS.**

Mr. S. P. Jain	Representing Indian Paper Mills Association, Calcutta.
Mr. P. N. Sinha	
Mr. G. A. S. Sim, (India Paper Pulp Co., Ltd.).	
Mr. J. C. Low (Bengal Paper Mills,	Representing Indian Paper Makers Association, Calcutta.
Mr. F. S. Mitchell	
and	
Mr. L. Shuttleworth (Titaghur Paper Mills).	
Mr. E. V. Ganapati Iyer	Representing The Mysore Paper Mills Ltd., Bangalore.
Mr. Tajuddin	Representing The Sirpur Paper Mills Ltd., Sirpur, Hyderabad (Deccan).

IMPORTERS.

Mr. Raghunath Dutt	Representing--
	1. Bholanath Dutt & Sons Ltd., Calcutta, and
	2. The Calcutta Paper Import Association, Calcutta.
Mr. Natailal	Representing Bholanath Dutt & Sons, Ltd., Calcutta.
Mr. L. V. Malkani	Representing J. B. Advani & Co., Ltd., Bombay.
Mr. D. C. Walmsley	Representing John Dickinson & Co., Ltd., Bombay.
Mr. Ranbir Singh	Representing J. N. Singh & Co. Ltd., Bombay.
Mr. D. D. Billimoria	Representing Paper Traders' Association, Bombay.
Mr. Parikh	Representing Paper Traders' Association, Bombay.
Mr. A. Heptulla	

CONSUMERS.

Mr. C. G. Mahant	Representing The National Rayon Corporation Ltd., Bombay.
Mr. J. C. Chinai	
Dr. Ing. Lavji Thoria	Representing The Travancore Rayons Ltd., Trivandrum.
Mr. Dixon	Representing "The Times of India" Press, Bombay.
Mr. Ratanlal	Representing Bombay Law Reporter, Bombay.
Mr. S. H. Mehta	

LABOUR.

Mr. Somnath Dave	Representing Textile Labour Association, Ahmedabad.
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OFFICIALS.

Mr. P. G. Bhagat, M.B.E.	..	Controller of Printing & Stationery, New Delhi.
Mr. M. L. Narasimengar	..	Director of Industries, Government of Orissa, Cuttack.
Mr. M. P. Bhargava ..	..	Officer-in-Charge, Paper Pulp Section, Forest Research Institute, Dehra Dun.
Mr. A. S. Bhatnagar ..	..	Representing Directorate General, Indus- tries & Supplies, New Delhi.

OTHERS.

Mr. H. Robinson	Representing H. M. Trade Commis- sioner in India, Bombay.
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APPENDIX V.

(Vide PARAGRAPH 9).

Statement showing a comparative study of protective and revenue duties on protected and unprotected varieties of paper.

PROTECTED.(a) *Printing Paper*—

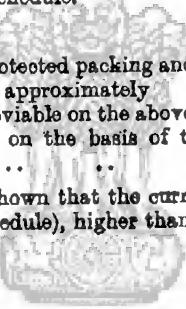
Average c.i.f. price of printing paper, under item 44 (1) of Tariff Schedule, imported in 1945-46 76 pies per lb.
 The specific protective duty of 10.4/5 pies per lb. works out at 15.7% on the above c. i. f. Price ; which is lower than the 30% *ad valorem* revenue duty if there was no protection.

(b) *Writing Paper*—

Average c.i.f. price of ruled or printed writing paper coming under item 44(a) of Tariff Schedule, imported in 1945-46.. 112 pies per lb.
 The *ad valorem* protective duty leviable on the above item at 30% 33.6 pies per lb.
 which is higher than the 10.8 pies per lb. alternative specific duty under the same item or the equivalent protective specific duty leviable on all other items under item 44(b) of the Tariff Schedule.

UNPROTECTED.

The average c.i.f. price of unprotected packing and wrapping paper imported in 1945-46 is approximately 100 pies per lb.
 The *ad valorem* revenue duty leviable on the above at 30% 30 pies per lb.
 Whereas the protective duty on the basis of the specific level will only be 10.4/5 pies per lb.
 In other words, it is clearly shown that the current revenue duties are, in all cases (except item 44(a) of the Tariff Schedule), higher than the current protective duties.



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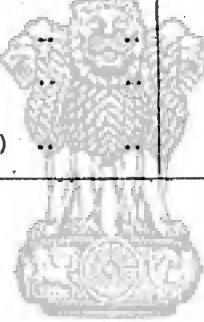
APPENDIX VI.

(Vide PARAGRAPH 13.)

Statement showing the Indian Mill Production of protected and unprotected varieties of paper since 1936-37.

(Quantities in tons).

Year	Protected	Unprotected	Total
1936-37 43,365 5,176 48,531			
1937-38 47,798 6,013 53,811			
1938-39 51,933 7,265 59,198			
1939-40 59,574 11,239 70,813			
1940-41 65,608 22,054 87,662			
1941-42 63,623 29,924 93,574			
1942-43 65,350 28,210 93,560			
1943-44 63,743 23,865 87,608			
1944-45 63,120 36,932 100,052			
1945-46 58,851 28,551 97,402			
1946-47 April to November—8 months only) 33,304 20,108 53,412			



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APPENDIX VII.

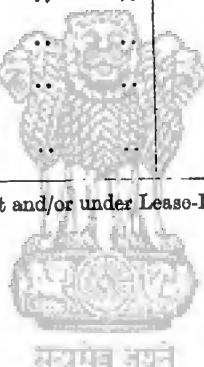
(Vide PARAGRAPH 15).

Statement showing the imports into India of paper (including Boards, but excluding old newspapers, other kinds of paper, and newsprinting paper) under protected and unprotected headings.

(Quantities in tons).

	Year					Protected	Unprotected	Total
1936-37	11,839	53,284	65,123
1937-38	14,780	71,886	86,666
1938-39	13,471	57,312	70,783
1939-40	17,518	45,542	63,061
1940-41	8,787	27,746	27,534
1941-42	1,296	10,438	11,724
1942-43	860	2,722	3,582
1943-44	1,725	5,745	7,470
1944-45	2,346	6,656	9,002
1945-46	14,311	12,188	26,499
1946-47 (April to August 5 months only)						8,133	9,568	17,701

Imports on Government account and/or under Lease-Lend arrangements are not included in the above figures.



APPENDIX VIII.

(Vide PARAGRAPH 15).

Statement showing imports into India of old newspapers, other kinds of paper and news printing paper.

(Quantities in tons).

Year	Old newspapers	Other kinds of paper	Newsprinting paper	Total
1936-37	54,730	3,528	36,748	95,006
1937-38	48,809	2,939	43,246	94,994
1938-39	47,383	2,876	32,590	82,849
1939-40	33,358	1,921	36,714	71,993
1940-41	35,714	1,157	30,731	67,602
1941-42	12,508	1,163	28,277	41,948
1942-43	1,120	1,509	11,237	13,866
1943-44	5	1,340	10,368	11,713
1944-45	..	2,134	22,419	24,553
1945-46	50	2,562	25,706	28,318
1946-47 (April to August 5 months only)	385	1,336	8,830	10,551



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APPENDIX IX.

(See PARAGRAPH 21).

Statement showing revenue realised from protected items of paper and wood-pulp imported into India.

Sea Customs-Imports	1938-39	1943-44	1944-45	1945-46
	Rs.	Rs.	Rs.	Rs.
1. Paper and Stationery	21,22,000	5,11,000	7,81,000	25,04,000
2. Wood pulp	6,66,000	1,13,000	12,23,000	6,12,000

NOTE:—Amounts realised from revenue duties on unprotected items of paper are not separately shown as they are included under "all other articles".



APPENDIX X.

[Vide PARAGRAPH 22(a).]

EXTRACT FROM THE 27TH ISSUE OF THE INDIAN CUSTOMS TARIFF.

Schedule showing the protective and revenue duties leviable on imports of paper and paper pulp.

Item No. of the I Schedule (Import Tariff).	Name of article	Nature of duty	Standard rate of duty	Preferential rate of duty if the article is the produce or manufacture of		
				The U.K.	A British Colony	Burma
1	2	3	4	5	6	7
43	Wood pulp	Protective	25% <i>ad valorem</i> or Rs. 30/- per ton, whichever is higher plus one-fifth of the total duty.			
44	Writing paper :					
	(a) Ruled or printed forms (including letter paper with printed heading) and envelopes made of writing paper and account and manuscript books and binding thereof	Protective	Nine pice per lb. or 25 per cent. <i>ad valorem</i> whichever is higher plus one-fifth of the total duty.			
	(b) All other sorts	Protective	10—4/5 pice per lb.			

44(1)	Printing paper, excluding poster and stereo and all coated paper but including art paper, all sorts which contain no mechanical wood pulp or in which the mechanical wood pulp amounts to less than 70 per cent of the fibre content ..	Protective ..	10—4/5 pies per lb. ..	..	..	12% ad-valo-rem.
44(2)	Printing paper, all sorts not otherwise specified which contain mechanical wood pulp amounting to not less than 70% of the fibre content* ..	Revenue ..	30% ad valorem ..	..	..	12% ad-valo-rem.
44(3)	Paper, including poster & stereo and all coated papers except art paper, all sorts not otherwise specified ..	Revenue ..	30% ad valorem ..	..	..	12% ad-valo-rem.
44(4)	Pasteboard, millboard, cardboard and straw-board all sorts ..	Revenue ..	30% ad valorem ..	..	..	12% ad-valo-rem.
44(5)	Trade catalogues and advertising circulars imported by packet, book or parcel post ..	Free ..	..	..	..	..
44(6)	Paper money ..	..	..	..	..	..
44(7)	Newspapers, old in bales and bags ..	Revenue ..	30% ad valorem ..	..	..	12% ad-valo-rem.

* Under Government of India, Finance Department (Central Revenues), Notification No. 33, dated the 22nd June, 1935, as amended subsequently, the following classes of printing paper containing mechanical wood pulp amounting to not less than 70 per cent of the fibre content are exempt from payment of so much of the import duty as is in excess of the amount mentioned against each :—(i) newsprint in reels, ungazed—Rs. 1-12 4/5 per cwt. (ii) newsprint in reels, other sorts Rs. 2.1 3/5 per cwt., and (iii) all sorts not in reels (excluding chrome, marble, flint, poster, stereo and art paper) white grey—Rs. 2-6 2/5 per cwt.

Item No. of the I Schedule (Import Tariff).	Name of article	Nature of duty	Preferential rate of duty if the article is the product or manufacture of		
			The U.K.	A British Colony	Burma
1	2	3	4	5	6
45	Articles made of paper & Papier Mache : Stationery, including drawing & copy books, labels, advertising circulars, sheet or card almanacs & calendars, Christmas, Easter & other cards including cards in booklet forms, including also waste paper cut excluding paper and stationery otherwise specified.	Revenue	30% ad valorem ..	..	12% ad valorem r em.
45(1)	Books, printed including covers for printed books maps, charts and plans, proofs, music, manuscripts and illustrations specifically made for binding in books . . .	Free	..	..	..
45(2)	Prints, engravings and Pictures (Includ- ing photographs & picture postcards) on paper or cardboard†	Revenue	60% ad valorem ..	..	24% ad valorem r em.

* Under Government of India, Finance Department (Central Revenues) Notification No. 33 dated the 22nd June 1935, as amended subsequently
Posters, pamphlets and other printed material intended for tourist propaganda purposes, provided they are issued by or under the auspices of the
Governments of the countries, being countries outside India, within which travel is to be stimulated and are not primarily intended to advertise
the services of any private tourist agency are exempt from payment of import duty.

† Under Government of India, Finance Department (Central Revenues) Notification No. 33, dated the 22nd June 1935, wall pictures and diagrams
such as are ordinarily used for instructional purposes are exempt from payment of import duty.